



LEGISLATIVE FISCAL OFFICE  
Fiscal Note

Fiscal Note On: **HB 766** HLS 10RS 1371  
Bill Text Version: **ENGROSSED**  
Opp. Chamb. Action:  
  
Proposed Amd.:  
Sub. Bill For.:

<b>Date:</b> April 15, 2010 10:35 AM	<b>Author:</b> TUCKER
<b>Dept./Agy.:</b> Health and Hospitals	<b>Analyst:</b> Shawn Hotstream
<b>Subject:</b> Nursing home facility rate	

NURSING HOMES EG -\$60,626 GF EX See Note Page 1 of 2  
Makes changes to the Medicaid case mix reimbursement methodology for nursing homes

Proposed law provides that the Department of Health and Hospitals change the payment methodology for nursing homes in two separate ways, by 1) increasing the payment for direct care costs from 110% to 112.4% of the median of direct care costs for all facilities and by 2) raising the minimum occupancy penalty from 70% to 85% of the licensed bed capacity for facilities.

EXPENDITURES	2010-11	2011-12	2012-13	2013-14	2014-15	5 -YEAR TOTAL
State Gen. Fd.	\$0	(\$60,626)	(\$60,626)	(\$60,626)	(\$60,626)	<b>(\$242,504)</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	(\$134,374)	(\$134,374)	(\$134,374)	(\$134,374)	<b>(\$537,496)</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u><b>\$0</b></u>
<b>Annual Total</b>	<b>\$0</b>	<b>(\$195,000)</b>	<b>(\$195,000)</b>	<b>(\$195,000)</b>	<b>(\$195,000)</b>	<b>(\$780,000)</b>
REVENUES	2010-11	2011-12	2012-13	2013-14	2014-15	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	(\$134,374)	(\$134,374)	(\$134,374)	(\$134,374)	<b>(\$537,496)</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u><b>\$0</b></u>
<b>Annual Total</b>	<b>\$0</b>	<b>(\$134,374)</b>	<b>(\$134,374)</b>	<b>(\$134,374)</b>	<b>(\$134,374)</b>	<b>(\$537,496)</b>

EXPENDITURE EXPLANATION

This measure proposes to make 2 separate payment change reforms to the nursing home reimbursement methodology, which are required to be implemented July 1, 2011. A combination of the two proposed changes is anticipated to decrease total Medicaid expenditures by \$195,000 in FY 12. Medicaid nursing home facility rates are determined by calculating four separate cost components. The components that determine cost, and ultimately the rate, include reimbursement for direct care/care related costs, administrative and operating costs, the capital component, and pass through components including property tax, insurance, and rate adjustments. This measure modifies the direct care/care related component and the capital component.

Direct care/care related:

This provision is anticipated to increase Medicaid expenditures to nursing facilities by \$9,815,000 in FY 11 due to an increase in the direct care related price multiplier from 110% of the median of direct care costs for all facilities to 112.4%. Direct care/care related costs include such allowable costs as nurses or nurses aid costs, needles, supplies, food,etc. In determining this module, the department calculates the median daily rate for all Medicaid nursing facilities over a certain time period, inflates the median rate by a current market inflation factor, and applies a multiplier (currently 110%). This bill increases the multiplier to 112.4%. Information provided by DHH indicates that increasing the multiplier will result in an increase in the average daily Medicaid rate by \$1.51 per day. The calculations are reflected below, and assume no increase in statewide average occupancy percentage.

Average per diem rate change due to multiplier increasing to 112.4%	\$1.51
Total projected Medicaid days (DHH estimate)	<u>6,500,000</u>
Sub total fiscal impact (cost) of change in direct care multiplier	<u>\$9,815,000</u>

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REVENUE EXPLANATION

The revenues reflected above represent federal financial participation, which was calculated using a blended federal match rate of 68.91% in FY 12 and future fiscal years.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	<u>H. Gordon Monk</u>
<input type="checkbox"/> 13.5.1 >= \$500,000 Annual Fiscal Cost		<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost	<b>H. Gordon Monk</b>
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease	<b>Legislative Fiscal Officer</b>



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**CONTINUED EXPLANATION from page one:** Page 2 of 2  
EXPENDITURE EXPLANATION: CONTINUED

Capital component/Fair Rental Value percentage:  
This provision amends the capital component module of the rate structure by increasing the Fair Rental Value minimum occupancy percentage (%) threshold from 70% to 85%. Information provided by the department indicates that nursing facilities are currently reimbursed 100% of their allowable costs as long as the facility maintains at least 70% occupancy. A dip below 70% occupancy changes the reimbursement formula (does not allow certain cost associated with square footage to be calculated as allowable costs into the rate). As a result of increasing the established percent (%) floor to 85%, Medicaid expenditures to nursing homes are projected to be reduced by \$10,010,000 in FY 11. The calculations are reflected below, and assume no increase in statewide average occupancy.

Fair rental value minimum occupancy %	85%
Average per diem rate change due to 85% minimum occupancy	(\$1.54)
Total projected Medicaid days (DHH estimate)	<u>6,500,000</u>
Sub total fiscal impact (savings) for change in minimum occupancy	(\$10,010,000)
Direct care cost	\$9,815,000
Capital component savings	<u>(\$10,010,000)</u>
TOTAL FISCAL IMPACT IN FY 11	(\$195,000)

Note: The above noted cost is based on no changes in occupancy. This bill does not result in an increase or decrease in nursing home recipients. However, to the extent that facility occupancy increases, the savings in the Medicaid program as reflected above could decrease. DHH indicates that individual nursing home occupancy could increase as the result of nursing home facility incentives to reach the 85% floor. Information received from the the Louisiana Nursing Home Association indicates that there are several long term trends that do not reflect the potential for an immediate increase in the state occupancy percentage. Additionally, the LNHA does not anticipate this measure will result in individual nursing home facilities attempting to alter their occupancy(by increasing occupancy %) in order to avoid an occupancy penalty below 85%. It is impossible to determine future year exposure as there are too many variables that could affect facility occupancy.